



THE CITY OF SAN DIEGO
CITIZENS REVENUE REVIEW AND ECONOMIC COMPETITIVENESS COMMISSION

M E M O R A N D U M

DATE: May 19, 2010

TO: Honorable Tony Young
Chair, City Council Budget & Finance Committee

FROM: Bob Nelson, CRRECC Chair *Bob Nelson*

SUBJECT: Progress Report on Revenue Review and Economic Competitiveness

After ten public meetings, our Commission has begun narrowing our focus on revenue options and economic competitiveness strategies. We are also evaluating the Citizens Opinion Survey conducted by the Independent Budget Analyst; and we are completing our review of the Third Party Revenue Audit conducted late last year by the City Auditor.

Economic Competitiveness

We have received input from several economic sectors on ways the City might help attract and retain business activity. These sectors include small business, building owners and managers, builders, technology clusters, affordable housing advocates, economic development experts, and experts from the tourism and lodging sector. We anticipate future presentations from restaurants and health care institutions.

Various parties have offered about 30 suggestions to enhance economic activity in the city. We will seek public input on all these suggestions and comment from the Administration. Based on further input and our deliberations, we will make recommendations to the Mayor and Council on issues we have encountered, including:

- Infrastructure maintenance and improvement;
- Business tax and BID assessment penalties and collection policies;
- Permit processing and regulatory reform;
- Tourism Marketing District (TMD) affects on business retention, growth, and City general revenues;
- City finance implications on economic competitiveness.

Two issues with revenue implications will be studied from the perspective of the affect on an employer's ability to attract and retain employees -- to make San Diego an increasingly attractive home for economic growth. With respect to these topics, and with no prejudgment on these matters implied, the following matters related to workforce attraction and retention seem worthy of additional focus, and will also be topics as we gather community input:

- Affordable Housing. San Diego is the only city in the County to impose linkage fee to finance affordable housing. These rates were cut in half in 1996; in 2009, fee collections fell by more than 90% with the building recession. This threatens the City's ability to promote housing

that is attainable for a broader part of the workforce. Alternative rate structures or financing modes will be reviewed.

- Pollution Prevention. A major reason people choose San Diego is the quality of the ocean, beaches and bays. Thus, protecting seawater quality and related recreational amenities should be a high priority. Meeting storm water runoff standards would require substantial upgrading of pollution prevention and treatment, possibly financed through a fee increase.

Revenue Review

Several groups have presented information and opinions regarding current or potential revenue. Among these groups are The Citizens Fiscal Sustainability Task Force, Center on Policy Initiatives, Office of Independent Budget Analyst, Housing Commission, various City of San Diego Departments, and the Office of the Mayor. In addition, we are evaluating comparison of San Diego's revenues to that of other California cities.

At our May 13 meeting, CRRECC narrowed our scope of study on revenues to the following items. This does not imply that any of our Commissioners support any or all of these; just that the matters seem worthy of additional focus, and will be principal topics as we gather community input.

- Revenues that could be approved through action of the Mayor and City Council alone. These could include Parking Fees -- including both meters and City parking lots -- in existing parking districts and possibly expansion into beach areas and major parks; Emergency Response Fees; and Corporate Sponsorship opportunities, especially at beaches.
- Fees for Residential Refuse Collection, Recycling and Disposal, would require that voters change or repeal the People's Ordinance.
- Taxes, any of which would require a vote of the electorate: commercial parking facilities, business licenses, retail sales, and utility users.

Next Steps

Our next meeting, June 3 at 5:30 PM, will include the following matters:

- Scheduling community meetings throughout the City;
- Reviewing a work plan to evaluate revenue options;
- Reviewing a work plan to evaluate economic competitiveness issues; and
- This will also be our last opportunity to consider if we will recommend any measures to the Council for placement on the November 2010 ballot.

If you feel that our Commission should focus on any additional revenue options or competitiveness strategies, please contact me or our Consultant, Breanna Zwart, as soon as possible. Thank you.

cc: Honorable Members of the City Council
CRRECC Members
Peer Review Panelists
Interested Parties